

Message Text

UNCLASSIFIED

PAGE 01 BERN 03527 01 OF 02 051053Z
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 NEA-10 AF-10 CIAE-00 DODE-00
PM-05 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02
PRS-01 SP-02 SS-15 USIA-15 AID-05 COME-00 EB-08
FRB-01 TRSE-00 XMB-04 OPIC-06 LAB-04 SIL-01
OMB-01 STR-04 CEA-01 /139 W
-----107173 051101Z /13/42

R 040713Z AUG 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC 4724
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 BERN 3527

C O R R E C T E D C O P Y F O R T E X T

USDEL MTN ALSO FOR MISSION

UEOECD ALSO FOR EMBASSY

PASS TREASURY AND FRB

EO 11652: NA
TAGS: EFIN SZ
SUBJ: SWISS FINANCIAL REVIEW: WEEK OF JUL 24-30

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC
ROSE AFTER INITIAL ABRUPT DECLINE IN HECTIC AND
NERVOUS MARKET. SWISS PRESS CRITICIZED WHAT THEY SAIW WAS
APPARENT U S ATTEMPTS TO INFLUENCE DOLLAR EXCHANGE RATE
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PAGE 02 BERN 03527 01 OF 02 051053Z

THROUGH PUBLIC STATEMENTS. SWISS NATIONAL BANK
END JUL BALANCE SHEET WAS DOWN 9.3 PERCENT FROM
JUN. CREDIT SUISSE MID-YEAR BALANCE SHEET
SHOWED EFFECTS OF CHIASSO AFFAIR. END SUMMARY

2. FOREIGN EXCHANGE AND GOLD: DOLLAR RATE AGAINST
FRANC ROSE AFTER INITIAL ABRUPT DECLINE IN HECTIC

AND NERVOUS MARKET. DEALERS SAID DOLLAR RATE FALL,
 TO ALL-TIME LOW OF SF 37.80 JUL 26, REFLECTED
 MARKET REACTION TO STATEMENTS OF U S TREASURY
 SECY BLUMENTHAL THAT DOLLAR SHOULD DEPRECIATE.
 HOWEVER, DOLLAR ROSE FOLLOWING STATEMENT BY FRB
 CHAIRMAN BURNS THAT U S SHOULD DEFEND INTEGRITY
 OF ITS CURRENCY AND STATEMENT BY CHASE MANHATTAN
 BANK PRESIDENT ROCKEFER THAT DOLLAR WAS UNDERVALUED.
 SOME DEALERS ALSO SPECULATED THAT
 APPARENT QTE REVERSAL UNQTE OF U S POLICY ON DOLLAR
 DEPRECIATION REFLECTED PRESSURE BY ARAB OIL EXPORTING
 COUNTRIES WHICH WOULD HAVE RAISED OIL PRICES
 IF DOLLAR HAD EXPERIENCED SUBSTANTIAL RAPID DEPRECIATION.
 GOLD PRICE ROSE TO 146 MONDAY, HIGHEST
 SINCE MAY 23, IN LIVELY MARKET THAT DEALERS SAID WAS
 INFLUENCED BY DOLLAR EXCHANGE RATE DEVELOPMENTS
 AND EGYPTIAN/LIBYAN CLASH. PRICE DECLINED AS PROFIT
 TAKERS REACTED TO DOLLAR RATE RECOVERY. HOWEVER,
 MARKET TURNOVER REMAINED LIGHT. SOUTH AFRICAN SALES
 WERE SAID TO HAVE DECLINED FURTHER WHILE RUSSIAN SALES
 WERE SPORADIC, OFFSET BY INTEREST FROM TRADITIONAL
 PRIVATE BUYERS. RATES FOLLOW:

	7/25 (OPEN)	7/29 (CLOSE)
SPOT DOLLAR	2,3955	2,4100
FORWARD DISCOUNTS (PERCENT PER ANNUM)		

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PAGE 03 BERN 03527 01 OF 02 051053Z

ONE MONTHS	3.16	4.33
TWO MONTHS	2.89	3.66
THREE MONTHS	2.85	3.44
SIX MONTHS	2.75	3.23
TWELVE MONTHS	2.69	3.05
SF/DM	106.09	105.07
GOLD	145.	143.75

3. U S POLICY: FOLLOWING ABRUPT DOLLAR EXCHANGE RATE
 DEPRECIATION IN APPARENT REACTION TO STATEMENT BY
 U S TREASURY SECY, SEVERAL NEWSPAPERS PUBLISHED
 EDITORIALS CRITICAL OF U S POLICY, NOTING
 CONFUSION FROM APPARENTLY CONTRADICTORY REMARKS BY
 FRB CHAIRMAN. NEUE ZUERCHER ZEITUNG (NZZ) JUL 29
 CRITICIZED QTE MANIPULATED FLOATING UNQTE BY U S
 OFFICIALS' STATEMENTS, NOTING THAT VERBAL WAR
 BETWEEN U S TRES SECY, FRB CHAIRMAN AND FRENCH
 PRIME MINISTER HARMED EXCHANGE RATE STABILITY AND
 DID NOT ACCORD WITH AGREED RULES FOR COOPERATION
 BETWEEN FINANCE MINISTRIES AND CENTRAL BANKS. NZZ
 SIAD DOLLAR SHOULD BE LEFT TO RESPOND TO MARKET
 FORCES, AND U S OFFICIALS SHOULD USE DISCREET MEANS

TO INFORM FOREIGN PARTNERS OF THEIR VIEWS. HOWEVER,
NZZ REPORTED JUL 30 THAT BLUMENTHAL'S LOUISVILLE
SPEECH JUL 26 AND BURNS STATEMENT JUL 29 BEFORE
HOUSE BANKING COMMITTEE CLARIFIED U S POLICY
AND FOREIGN EXCHANGE MARKETS HAD CALMED.

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PAGE 01 BERN 03527 02 OF 02 041007Z
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UNCLAS SECTION 2 OF 2 BERN 3527

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4. CAPITAL AND MONEY MARKETS: BANKS MET END
JUL REQUIREMENTS WITH SUBSTANTIAL LIQUIDITY. SNB
PROVIDED BANKS SOME SF 2 BILLION IN CREDITS BUT NO
NEW SWAPS. STOCK PRICES ROSE SLIGHTLY, LED BY
CREDIT SUISSE SHARE PRICE RECOVERY AFTER SNB
EXPRESSED SATISFACTION THAT SENIOR CREDIT SUISSE
OFFICERS HAD NOT SOLD THEIR BANK'S STOCK IN
ADVANCE OF PRICE DROP WHEN CHIASSO SCANDAL AROSE.
SKA INDEX (1959 EQUALS 100) ROSE 0.4 PERCENT TO
222. AVERAGE YIELD CONFEDERATION BONDS WAS UP

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PAGE 02 BERN 03527 02 OF 02 041007Z

SLIGHTLY TO 4.22. SWISS ALUMINUM AUSTRALIA LTD
ANNOUNCED SF 100 MILLION LOAN AT 5.5 PERCENT INTEREST
FOR 15 YEARS. NEWS BRUSNWK ELECTRIC POSER
COMMISSION, CANADA, WILL BORROW SF 80 MILLION AT
5.25 PERCENT FOR 15 YEARS.

5. SNB BALANCE SHEET: SNB END JUL BALANCE SHEET
TOTAL WAS DOWN 9.3 PERCENT FROM END JUN AND DOWN
1.9 PERCENT FROM JUL 1976. NOTES IN CIRCULATION
WERE UP 5.5 PERCENT COMPARED TO JUL 1976, AN INDICATION
THAT MONEY SUPPLY IS BEING MAINTAINED CLOSE
TO 5 PERCENT ANNUAL GROWTH RATE TARGET.

JUL 29 (CHANGE FROM JUN 30) (MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,904	-	-
FOREIGN EXCHANGE	13,088	DOWN	2,404
ROOSA BONDS	4,554	DOWN	92
DISCOUNTED PAPER	1,147	DOWN	237
LOMBARD LOANS	115	DOWN	431
OTHER	1,050	DOWN	104

LIABILITIES

NOTES IN CIRCULATION	18,654	DOWN	418
GIRO ACCOUNTS	7,743	DOWN	3,040
STERILIZATION ORDERS	899	UP	486
OTHER	4,562	DOWN	296
BALANCE SHEET TOTAL	31,858	DOWN	3,268

6. CREDIT SUISSE: EFFECTS OF CHIASSO AFFAIR SHOWED
UP ON CREDIT SUISSE MID-YEAR BALANCE SHEET, THOUGH
BALANCE TOTAL ROSE SF 544 MILLION SINCE MAR TO SF
43 BILLION AND BANK FORESEES NO PROBLEM IN MAINTAINING
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PAGE 03 BERN 03527 02 OF 02 041007Z

1976 DIVIDENT RATE. IN SECOND QTR 1977, LOANS
ROSE TO RECORD SF 20.7 BILLION, PRIMARILY
FOR ADVANCES TO TEXON TO REPAY CHIASSO BRANCH DEPOSITORS.
CLAIMS AGAINST TEXON (SF 1.7 BILLION)
BROUGHT QTE CURRENT ACCOUNT DEBTORS WITHOUT COLLATERAL
UNQTE TO SF 4.29 BILLION FROM SF 2.38 BILLION END
MAR. DEPOSITS WITH OTHER BANKS FELL
SF 2.4 BILLION TO SF 12.3 BILLION TO FINANCE THIS INCREASED
LENDING. CUSTOMER DEPOSITS REMAINED ALMOST

UNCHANGED AT SF 25.4 BILLION. SAVINGS DEPOSITS
FELL 2 PERCENT FROM MAR TO SF 2.8 BILLION AND OTHER
ACCOUNTS FELL 2 PERCENT TO SF 2.1 BILLION, THOUGH
THESE LEVELS ARE ABOVE END 1976. SIGHT DEPOSITS
ROSE NET SF 76 MILLION TO SF 6.8 BILLION, RESULT OF
SF 155 MILLION BLOCKED IN CUSTOMER ACCOUNTS TO PAY
TAXES AND FINES FROM CHIASSO AFFAIR. ADDITIONAL SUMS
ARE BLOCKED OUTSIDE THE BALANCE SHEET IN FIDUCIARY
INVESTMENTS.
ODELL

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Remarks:
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